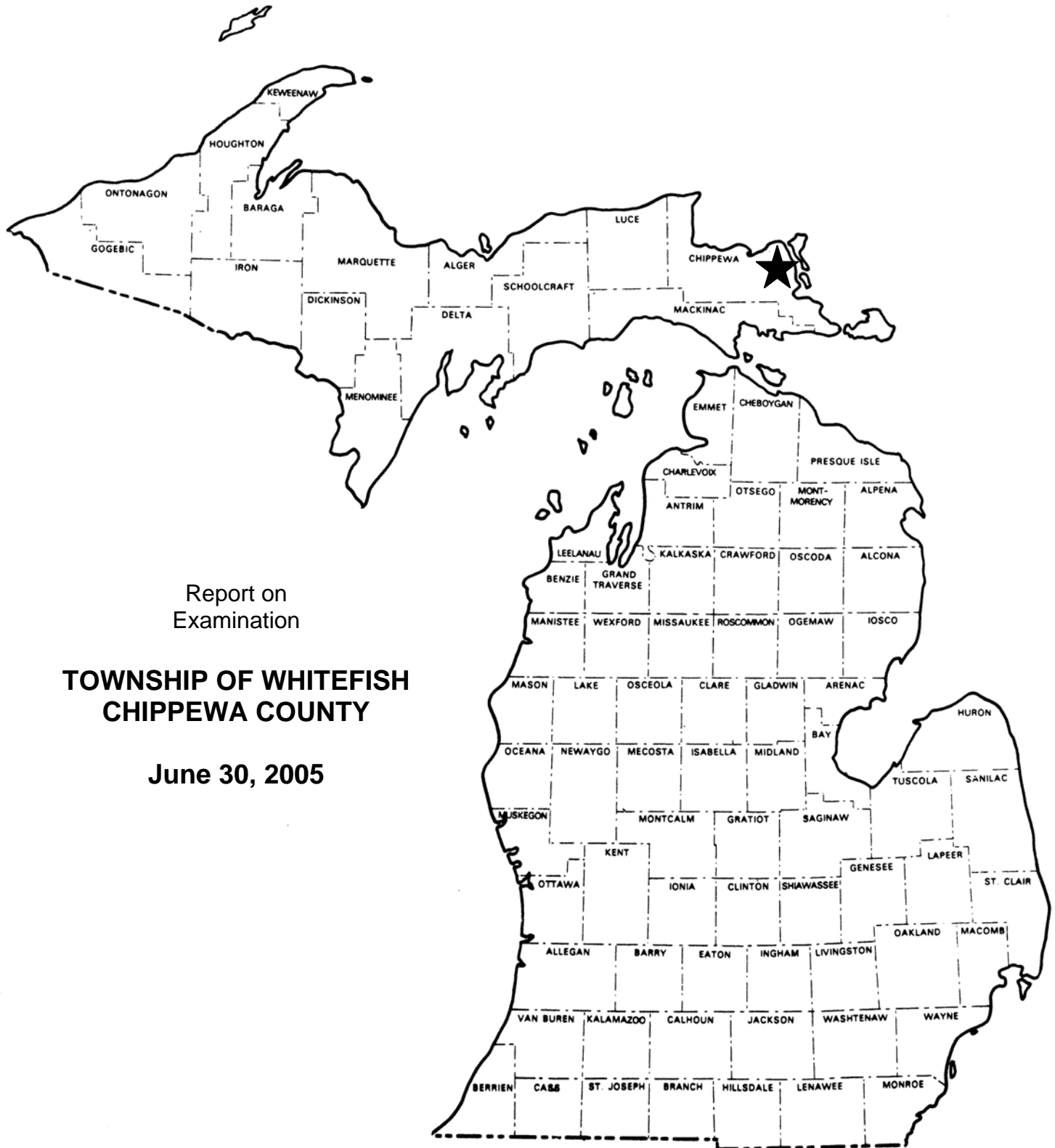


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**TOWNSHIP OF WHITEFISH**  
**CHIPPEWA COUNTY**

**June 30, 2005**

TOWNSHIP OF WHITEFISH

CHIPPEWA COUNTY

Earl Skeans  
Supervisor

Wanda Knox  
Clerk

Helen Swiontek  
Treasurer

Edson Forrester  
Trustee

Patrick Graham  
Trustee

TOWNSHIP POPULATION--2000  
588

STATE EQUALIZED VALUE--2005  
\$109,972,780



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

April 12, 2006

Township Board  
Whitefish Township  
7052 North M-123  
P.O. Box 69  
Paradise, Michigan 49768-0069

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Whitefish Township, Chippewa County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Whitefish Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note E to the financial statements, management has not recorded capital assets in governmental activities from prior years and has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, financial position of the

governmental activities of Whitefish Township, Michigan, as of June 30, 2005, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Whitefish Township, as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated April 12, 2006 on our consideration of Whitefish Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 3 and the Budgetary Comparisons for Major Funds included in Exhibit F through I are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitefish Township's basic financial statements. The accompanying combining financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Local Audit and Finance Division

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

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WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

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## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### *Using this Annual Report*

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### *The Township as a Whole*

The Township's net assets increased \$111,891, from a year ago for the governmental activities, due mainly to an increase in property taxes, a special street lighting assessment, the addition of capital assets and a reduction in expenditures. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2004	Governmental Activities 2005	Difference	Percent
Current and Other Assets	\$ 353,981	\$ 414,984	\$ 61,003	17%
Capital Assets	37,997	48,484	10,487	28%
Total Assets	391,978	463,468	71,490	18%
Other Liabilities	20,802	48,084	27,282	131%
Total Liabilities	20,802	48,084	27,282	131%
Net Assets				
Invested in Capital Assets				
Net of Debt	37,997	48,484	10,487	28%
Restricted	143,913	183,764	39,851	28%
Unrestricted	189,266	183,136	(6,130)	-3%
Total Net Assets	\$ 371,176	\$ 415,384	\$ 44,208	12%

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date to the prior year.

	Governmental Activities <u>2004</u>	Governmental Activities <u>2005</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 60,848	\$ 60,616	\$ (232)	0%
Operating Grants and Contributions	6,960	3,132	(3,828)	-55%
Capital Grants and Contributions	21,101	9,619	(11,482)	-54%
General Revenues				
Property Taxes	222,563	237,745	15,182	7%
State-Shared Revenues	38,873	39,697	824	2%
Unrestricted Investment Earnings	9,671	9,770	99	1%
Other Revenue	<u>2,839</u>	<u>1,435</u>	<u>(1,404)</u>	<u>-49%</u>
Total Revenues	<u>362,855</u>	<u>362,014</u>	<u>(841)</u>	<u>(0)</u>
Program Expenses				
General Government	122,897	112,318	(10,579)	-9%
Public Safety	60,695	58,170	(2,525)	-4%
Public Works	40,282	72,191	31,909	79%
Community and Economic Development	27,961	11,619	(16,342)	-58%
Recreation and Culture	33,356	33,518	162	0%
Other	<u>20,460</u>	<u>29,990</u>	<u>9,530</u>	<u>47%</u>
Total Expenses	<u>305,651</u>	<u>317,806</u>	<u>12,155</u>	<u>4%</u>
Change in Net Assets	<u>\$ 57,204</u>	<u>\$ 44,208</u>	<u>\$ (12,996)</u>	<u>-23%</u>

The Township's net assets continue to remain reasonably healthy overall.

#### **Governmental Activities**

The Township's total governmental revenues increased primarily due to the continuing increase in the Township's tax base.

#### **The Township's Funds**

Our analysis of the Township's major funds are listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 include the General Fund, Fire Fund, Ambulance Fund and the Library Fund.



## **WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of \$112,318 in 2005 as compared to \$122,897 in 2004. The decrease in expenditures was the result of reduced attorney fees, and the reduction in buildings and grounds costs. These services are supported by the operating millage and State shared revenues. There was a net increase in the fund balance of \$56,388 for the General Fund. The Fire Fund is for the operations and equipment of the fire department which is supported by two special millages, one for operating and the other for equipment. During the year the fund balance in the Fire Fund increased by \$938. The Ambulance Fund is for the operations and equipment of the ambulance department which is supported by two special millages, one for operating and the other for equipment. During the year the fund balance in the Ambulance Fund increased by \$34,100 as a result of a decrease in expenditures. The Library is supported by user fees and penal fines with the major expenditures being for services and wages. During the year, the fund balance in the Library Fund increased by \$887.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Of greatest significance was the ability of the board to hold expenditures down to a minimum.

#### **Capital Asset and Debt Administration**

At the end of 2005, the Township had a net capital of \$48,484 invested in equipment. To pay for the capital assets, the Township used available funds to continue to be debt free.

#### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2005-2006 will be limited to essential services since the Township is trying to reserve funds to construct an emergency services building. We are experiencing an increase in the sale of property which is increasing the tax revenue as the cap on the taxable value is raised to the current market price of the property.

#### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 7052 North M-123, Paradise, Michigan 49768.

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY  
GOVERNMENT-WIDE STATEMENT  
OF NET ASSETS  
June 30, 2005**

**EXHIBIT A**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets	
Cash and Cash Equivalents	\$ 371,554
Due From State	12,998
Due From County	12,054
Due From Others	<u>18,378</u>
Total Current Assets	<u>414,984</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>48,484</u>
Total Noncurrent Assets	<u>48,484</u>
Total Assets	<u><u>\$ 463,468</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Current Liabilities	
Accounts Payable	\$ 12,944
Due to Other Governmental Agencies	22,667
Accrued Liabilities	<u>12,473</u>
Total Current Liabilities	<u>48,084</u>
Total Liabilities	<u>48,084</u>
Net Assets	
Investment in Capital Assets	48,484
Restricted for	
Fire	33,790
Ambulance	77,436
Library	43,079
Street Lighting	4,703
Capital Improvement	24,746
Donations	10
Unrestricted	<u>183,136</u>
Total Net Assets	<u><u>\$ 415,384</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT	
					Governmental Activities	Total
Primary Government						
Governmental Activities						
General Government	\$112,318	\$ 20,649			\$ (91,669)	\$ (91,669)
Public Safety	58,170	36,979		\$ 6,731	(14,460)	(14,460)
Public Works	72,191				(72,191)	(72,191)
Community and Economic Development	11,619				(11,619)	(11,619)
Recreation and Culture	33,518	2,988	\$3,132	2,888	(24,510)	(24,510)
Other	29,990				(29,990)	(29,990)
Total Governmental Activities	\$317,806	\$ 60,616	\$3,132	\$9,619	\$(244,439)	\$(244,439)
General Revenues						
Property Taxes						\$ 237,745
State-Shared Revenues						39,697
Unrestricted Investment Earnings						9,770
Other						1,435
Total General Revenues						288,647
Change in Net Assets						44,208
Net Assets--Beginning						371,176
Net Assets--Ending						\$ 415,384

The Notes to Financial Statements are an integral part of this statement.

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2005**

**EXHIBIT C**

	<b>MAJOR GOVERNMENTAL FUNDS</b>				Non-Major Governmental Funds	Total Governmental Funds
	General	Fire	Ambulance	Library		
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$194,769	\$ 31,768	\$ 74,124	\$ 40,647	\$30,246	\$ 371,554
Due From Other Funds	15,746	1,123	2,084	6,021		24,974
Due From State	12,998					12,998
Due From County		6,027	6,027			12,054
Total Assets	\$223,513	\$ 38,918	\$ 82,235	\$ 46,668	\$30,246	\$ 421,580
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
Liabilities						
Accounts Payable	\$ 4,262	\$ 2,583	\$ 3,358	\$ 2,094	\$ 647	\$ 12,944
Due to Other Governmental Agencies	22,667					22,667
Due to Other Funds						
Primary Government	5,289	811	1,609	39	140	7,888
Accrued Liabilities	8,159	872	694	1,456		11,181
Total Liabilities	40,377	4,266	5,661	3,589	787	54,680
Fund Balances						
Reserved for						
Fire		33,790				33,790
Ambulance			77,436			77,436
Library				43,079		43,079
Street Lighting					4,703	4,703
Capital Projects					24,746	24,746
Donations					10	10
Unreserved--Undesignated	183,136					183,136
Total Fund Balance	183,136	33,790	77,436	43,079	29,459	366,900
Total Liabilities and Fund Balance	\$223,513	\$ 38,056	\$ 83,097	\$ 46,668	\$30,246	\$ 421,580
Fund Balance						\$ 366,900
Amounts reported for governmental activities in the Statement of Net Assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						48,484
Net Assets of Governmental Activities						\$ 415,384

**The Notes to Financial Statements are an integral part of this statement.**

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2005**

**EXHIBIT D**

	<u>SPECIAL REVENUE FUNDS</u>				Non-Major	Total
	General	Fire	Ambulance	Library	Governmental	Governmental
					Funds	Funds
Revenues						
Taxes and Penalties	\$ 148,824	\$22,005	\$36,503	\$ 22,672	\$ 7,741	\$ 237,745
Licenses and Permits	2,300					2,300
Federal Grants			-			-
State Grants	39,697			3,132		42,829
Contributions From Local Units						-
Charges for Services	21,799	565	32,964	2,988		58,316
Fines and Forfeits						-
Interest and Rentals	9,300			470		9,770
Other Revenue	1,435	1,192	5,160	2,888	379	11,054
Total Revenues	223,355	23,762	74,627	32,150	8,120	362,014
Expenditures						
Current						
General Government	112,318				-	112,318
Public Safety	1,200	16,443	40,527		-	58,170
Public Works	67,997				4,194	72,191
Community and Economic Development	11,619					11,619
Recreation and Cultural	4,217			29,301		33,518
Other	29,990					29,990
Capital Outlay	2,144	6,381	-	1,962	-	10,487
Total Expenditures	229,485	22,824	40,527	31,263	4,194	328,293
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(6,130)	938	34,100	887	3,926	33,721
Fund Balance--July 1, 2004	189,266	32,852	43,336	42,192	25,533	333,179
Fund Balance--June 30, 2005	\$ 183,136	\$33,790	\$77,436	\$ 43,079	\$29,459	\$ 366,900
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses						\$ 33,721
Amounts reported for governmental activities in the Statement of Activities are different because:						
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.						10,487
Change in Net Assets of Governmental Activities						\$ 44,208

**The Notes to Financial Statements are an integral part of this statement.**

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES--AGENCY FUNDS**  
**For the Year Ended June 30, 2005**

**EXHIBIT E**

	<u>Tax Collection</u>
<b><u>TAX COLLECTION FUND</u></b>	
Assets	
Cash	\$ 34,351
Due From Others	<u>4,950</u>
Total Assets	<u>\$ 39,301</u>
Liabilities	
Due to County	\$ 5,777
Due to Schools and Colleges	15,029
Other Liabilities	18,379
Undistributed Tax Funds	<u>116</u>
Total Liabilities	<u>\$ 39,301</u>

**The Notes to Financial Statements are an integral part of this statement.**

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Whitefish Township (township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except for the non-reporting of the capital assets. The following is a summary of the significant accounting policies used by Whitefish Township:

##### Reporting Entity

Whitefish Township is located in Chippewa County and provides services to approximately 588 residents in many areas including public safety, highways and streets, general administrative services, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Whitefish Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund accounts for the township millage revenue is reserved for the operation of the fire department.

Ambulance Fund accounts for township millage revenue is reserved for the operation of the township ambulance.

Library Fund accounts for township millage is reserved for the operation of the Library.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.



## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

It is the township's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

#### Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) should be reported in the governmental column in the government-wide financial statements. The township has records of assets acquired after July 1, 2003 to the present time. The current year acquisitions have been recorded as capital outlay and is included on the township's asset listing. However, these assets have not been recorded as capital assets and the related depreciation expense has not been recorded in the government-wide financial statements contrary to accounting principles generally accepted in the United States of America. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

# WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and Special Revenue Funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis for the General Fund and fund level for the Special Revenue Funds. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

#### Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, (MCL 141.436), requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each Special Revenue Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act. The budgeted expenditures, including an accrued deficit, shall not exceed budgeted revenues, including available surplus.

During the year ended June 30, 2005, expenditures were incurred in excess of amounts appropriated for the following fund and/or activities:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
General Government			
Elections	\$ 3,735	\$ 3,907	\$ (172)
Building and Grounds	26,730	26,879	(149)
Public Works			
Road Maintenance	13,333	35,842	(22,509)
Other	2,400	4,923	(2,523)

#### Other Legal Noncompliance

The township has failed to adopt their budgets in accordance with the general appropriation act requirements in accordance with Public Act 2 of 1968, as amended.

The township has failed to prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities and fund equities for each fund of the township in accordance with MCL 41.65.

The township failed to distribute taxes within 10 business days after the first and fifteenth of each month in accordance with MCL 211.43.

# WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--BALANCE SHEET CASH AND INVESTMENTS

Public Act 20 of 1943, as amended, authorizes the treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The township's deposits are in accordance with statutory authority.

Deposits are carried at cost. Deposits of the township are in one financial institution in the name of Whitefish Township. The township board has adopted an investment policy as required by Public Act 20 of 1943, as amended.

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$371,554</u>	<u>\$ 34,351</u>	<u>\$405,905</u>
Total	<u><u>\$371,554</u></u>	<u><u>\$ 34,351</u></u>	<u><u>\$405,905</u></u>

The bank balance of the primary government's deposits is \$403,523, of which \$141,461 is covered by Federal depository insurance.

### Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township's investment policy contains provisions intended to limit the township's exposure to interest rate risk, credit risk and concentration of credit risk.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The township's return on investment is secondary importance compared to safety and liquidity objectives. Investments are selected to obtain a market average rate of return. The core of investments is limited to relatively low risk securities.

#### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The township's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities (excluding U.S. Treasury securities and insured certificates of deposits).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the township's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the township's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

# WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--PROPERTY TAXES

The township's 2004 ad valorem tax is levied and collectible on December 1, 2004. It is the township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the township operations. Any uncollected real property taxes which become delinquent March 1<sup>st</sup> are purchased by Chippewa County and paid to the township in May or June of each year. Property taxes are recognized when levied since the county purchases the delinquent taxes each year.

The 2004 taxable valuation of Whitefish Township amounted to \$47,684,108 on which ad valorem taxes of 1.5620 mills were levied for township operating purposes, .9487 mills for fire/ambulance departmental operations, and .4570 for library operations. The millages resulted in property tax revenue of \$74,521, \$45,161, and \$21,794, respectively, during the fiscal year ended June 30, 2005. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

### NOTE E--CAPITAL ASSETS

The capital asset activity of the township only includes 2004 and 2005 activity. The capital assets listed do not include all of the capital assets of the township. Township buildings have been owned by the township for approximately 20 or more years. The depreciation expense was not calculated during the year and has not been recognized as an expense in the government-wide financial statements. The township did not complete the capital asset listing. It is the intention of the township to record the capital assets by June 30, 2006.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Equipment	<u>\$ 37,997</u>	<u>\$ 10,487</u>	<u></u>	<u>\$ 48,484</u>
Subtotal	<u>\$ 37,997</u>	<u>10,487</u>	<u>\$ -</u>	<u>48,484</u>
Net Capital Assets Being Depreciated	<u>37,997</u>	<u>10,487</u>	<u>-</u>	<u>48,484</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 37,997</u>	<u>\$ 10,487</u>	<u>\$ -</u>	<u>\$ 48,484</u>

# WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables between funds of the township are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 15,746	Fire	\$ 734
		Ambulance	1,389
		Tax Collection	13,623
Fire	1,123	Tax Collection	4,756
Ambulance	2,085		
Library	1,548		
Library	4,473	General	4,473
Tax Collection	1,293	General	816
		Fire	77
		Ambulance	221
		Library	39
		Non-Major Governmental	140
Total Primary Government	<u>\$ 26,268</u>		<u>\$26,268</u>

The purpose of the interfund balance is to account for undistributed taxes and a bank error. These balances are expected to be repaid within one year.

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE G--RISK MANAGEMENT

The township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The township participates in the Michigan Township Participating Plan (MTPP). The plan covers general liability, nonowned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Individual reserves for each participant are unavailable.

#### NOTE H--CONTINGENCIES AND SUBSEQUENT EVENTS

The township had accepted a Federal grant for and in behalf of the Whitefish Pointe Historical Society. The U.S. Department of Housing and Urban Development Office of the Inspector General has opened a case in response to allegations of misuse of Federal funds. The case is still pending. An estimation of the potential liability to the township is undeterminable.

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2005**

**EXHIBIT F**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$141,975	\$ 141,975	\$148,824	\$ 6,849
Licenses and Permits	-	-	2,300	2,300
Federal Grants	50,000	50,000	-	(50,000)
State Grants	32,800	32,800	39,697	6,897
Charges for Services	30,000	30,000	21,799	(8,201)
Interest and Rentals	11,300	11,300	9,300	(2,000)
Other Revenue	4,800	4,800	1,435	(3,365)
Total Revenues	270,875	270,875	223,355	(47,520)
Expenditures				
Current				
General Government	134,140	133,629	112,318	21,311
Public Safety	2,234	2,234	1,200	1,034
Public Works	48,041	48,041	67,997	(19,956)
Community and Economic Development	17,286	17,286	11,619	5,667
Recreation and Cultural	54,500	54,500	4,217	50,283
Other	22,000	27,511	29,990	(2,479)
Capital Outlay	350	2,150	2,144	6
Total Expenditures	278,551	285,351	229,485	55,866
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(7,676)	(14,476)	(6,130)	8,346
Fund Balance--July 1, 2004	189,266	189,266	189,266	-
Fund Balance--June 30, 2005	\$181,590	\$ 174,790	\$183,136	\$ 8,346

**The Notes to Financial Statements are an integral part of this statement.**



**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FIRE DEPARTMENT--MAJOR SPECIAL REVENUE FUND  
For the Year Ended June 30, 2005**

**EXHIBIT G**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$20,865	\$ 20,865	\$22,005	\$ 1,140
Charge for Services	3,712	3,712	565	(3,147)
Other Revenue	5,011	5,011	1,192	(3,819)
Total Revenues	29,588	29,588	23,762	(5,826)
Expenditures				
Public Safety	20,430	21,737	16,443	5,294
Capital Outlay	5,000	6,623	6,381	242
Total Expenditures	25,430	28,360	22,824	5,536
Excess of Revenues Over (Under) Expenditures	4,158	1,228	938	(290)
Fund Balance--July 1, 2004	32,852	32,852	32,852	-
Fund Balance--June 30, 2005	\$37,010	\$ 34,080	\$33,790	\$ (290)

**The Notes to Financial Statements are an integral part of this statement.**

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
AMBULANCE--MAJOR SPECIAL REVENUE FUND  
For the Year Ended June 30, 2005**

**EXHIBIT H**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 34,427	\$ 34,427	\$ 36,503	\$ 2,076
Federal Grant			-	-
Charges for Services	14,980	14,980	32,964	17,984
Other Revenue	1,500	1,500	5,160	3,660
Total Revenues	50,907	50,907	74,627	23,720
Expenditures				
Public Safety	55,916	65,516	40,527	24,989
Capital Outlay	7,000	5,000		5,000
Total Expenditures	62,916	70,516	40,527	29,989
Excess of Revenues Over (Under) Expenditures	(12,009)	(19,609)	34,100	53,709
Fund Balance--July 1, 2004	43,336	43,336	43,336	-
Fund Balance--June 30, 2005	\$ 31,327	\$ 23,727	\$ 77,436	\$53,709

**The Notes to Financial Statements are an integral part of this statement.**

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
LIBRARY--MAJOR SPECIAL REVENUE FUND  
For the Year Ended June 30, 2005**

**EXHIBIT I**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Taxes	\$ 19,025	\$ 19,025	\$ 22,672	\$ 3,647
State Grants	2,000	2,000	3,132	1,132
Charge for Services	3,500	3,500	2,988	(512)
Interest	2,000	2,000	470	(1,530)
Other Revenue	29,400	29,400	2,888	(26,512)
Total Revenues	55,925	55,925	32,150	(23,775)
Expenditures				
Recreation and Cultural	54,790	54,790	29,301	25,489
Capital Outlay			1,962	(1,962)
Total Expenditures	54,790	54,790	31,263	23,527
Excess of Revenues Over (Under) Expenditures	1,135	1,135	887	(248)
Fund Balance--July 1, 2004	42,192	42,192	42,192	42,192
Fund Balance--June 30, 2005	\$ 43,327	\$ 43,327	\$ 43,079	\$ 43,079

**The Notes to Financial Statements are an integral part of this statement.**

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2005**

**EXHIBIT J**

	<b><u>SPECIAL REVENUE FUNDS</u></b>			<b><u>CAPITAL PROJECT FUND</u></b>	
	Street Lighting Fund	Airport Donation Fund	Marie DePetro Improvement Fund	Fire/EMS Building Fund	Total Non-Major Governmental Funds
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 5,490	\$ 10	\$ 12,863	\$ 11,883	\$30,246
Total Assets	\$ 5,490	\$ 10	\$ 12,863	\$ 11,883	\$30,246
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities					
Accounts Payable	\$ 647				\$ 647
Due to Other Funds--Primary Government	140				140
Total Liabilities	787	\$ -	\$ -	\$ -	787
Fund Balances					
Unreserved--Undesignated	4,703	10	12,863	11,883	29,459
Total Fund Balance	4,703	10	12,863	11,883	29,459
Total Liabilities and Fund Balance	\$ 5,490	\$ 10	\$ 12,863	\$ 11,883	\$30,246

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2005**

**EXHIBIT K**

	<b>SPECIAL REVENUE FUNDS</b>			<b>CAPITAL PROJECT FUND</b>	
	Street Lighting Fund	Airport Donation Fund	Marie DePetro Improvement Fund	Fire/EMS Building Fund	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 7,741				\$ 7,741
Other Revenue				\$ 379	379
Total Revenues	7,741	\$ -	\$ -	379	8,120
Expenditures					
Public Works	4,194				4,194
Total Expenditures	4,194	-	-	-	4,194
Excess of Revenues Over (Under) Expenditures	3,547	-	-	379	3,926
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,547	-	-	379	3,926
Fund Balance--July 1, 2004	1,156	10	12,863	11,504	25,533
Fund Balance--June 30, 2005	\$ 4,703	\$ 10	\$12,863	\$ 11,883	\$ 29,459

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES--AGENCY FUNDS**  
**For the Year Ended June 30, 2005**

**EXHIBIT L**

	Balance 07/01/04	Additions	Deductions	Balance 06/30/05
<b><u>TAX COLLECTION FUND</u></b>				
Assets				
Cash	\$36,160	\$1,098,511	\$1,100,320	\$34,351
Due From Other Funds	116	1,177		1,293
Due From Others	3,000	657		3,657
Total Assets	\$39,276	\$1,100,345	\$1,100,320	\$39,301
Liabilities				
Due to County	\$ 5,777	\$ 361,191	\$ 361,191	\$ 5,777
Due to Schools and Colleges	15,029	573,182	573,182	15,029
Due to Other Funds	18,354	164,463	164,438	18,379
Undistributed Tax Funds	116			116
Total Liabilities	\$39,276	\$1,098,836	\$1,098,811	\$39,301

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**SCHEDULE OF REVENUES--BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2005**

**EXHIBIT M**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes and Penalties				
Current Property Taxes	\$ 79,668	\$ 79,668	\$ 78,147	\$ (1,521)
State Property Tax Foreclosure Sale	1,500	1,500	10,265	8,765
Swampland Tax	46,729	46,729	46,729	-
Commercial Forest Reserve	4,200	4,200	1,888	(2,312)
Property Tax Administration Fees	9,878	9,878	11,795	1,917
Total Taxes and Penalties	141,975	141,975	148,824	6,849
Licenses and Permits				
Land Use Permits	-	-	2,300	2,300
Total Licenses and Permits	-	-	2,300	2,300
Federal Grants				
Greal Lakes Shipwreck Historical Society	50,000	50,000		(50,000)
Total Federal Grants	50,000	50,000	-	(50,000)
State Grants				
Revenue Sharing	32,800	32,800	39,697	6,897
Total State Grants	32,800	32,800	39,697	6,897
Charges for Services				
Land Splits	3,000	3,000	1,150	(1,850)
Transfer Station Fees	19,000	19,000	20,009	1,009
Other Charges for Services	8,000	8,000	640	(7,360)
Total Charges for Services	30,000	30,000	21,799	(8,201)
Interest and Rents				
Interest Earned	5,800	5,800	3,775	(2,025)
Cell Tower Fees	4,500	4,500	4,500	-
Community Center Rentals	1,000	1,000	1,025	25
Total Interest and Rents	11,300	11,300	9,300	(2,000)
Other Revenues				
Refunds and Reimbursements	4,600	4,600	403	(4,197)
Other Revenue	200	200	1,032	832
Total Other Revenues	4,800	4,800	1,435	(3,365)
Total Revenue	\$ 270,875	\$ 270,875	\$ 223,355	\$ (47,520)

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended June 30, 2005**

**EXHIBIT N**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
General Government				
Township Board	\$ 3,230	\$ 3,350	\$ 2,962	\$ 388
Supervisor	10,712	10,312	8,750	1,562
Elections	1,710	3,735	3,907	(172)
Assessor	24,500	25,500	25,065	435
Clerk	11,930	11,280	10,175	1,105
Board of Review	1,235	1,060	930	130
Treasurer	22,282	21,482	19,485	1,997
Buildings and Grounds	27,730	26,730	26,879	(149)
Cemetery	3,300	3,300	-	3,300
Other General Government	27,511	26,880	14,165	12,715
Total General Government	134,140	133,629	112,318	21,311
Public Safety				
Liquor Law Enforcement	2,234	2,234	1,200	1,034
Total Public Safety	2,234	2,234	1,200	1,034
Public Works				
Road Maintenance	13,333	13,333	35,842	(22,509)
Sanitation	34,708	34,708	32,155	2,553
Total Public Works	48,041	48,041	67,997	(19,956)
Community and Economic Development				
Planning Commission	17,286	17,286	11,619	5,667
Total Community and Economic Development	17,286	17,286	11,619	5,667
Recreation and Cultural				
Great Lakes Shipwreck Historical Society Grant	50,000	50,000	1,011	48,989
Other	4,500	4,500	3,206	1,294
Total Recreation and Cultural	54,500	54,500	4,217	50,283
Other				
Insurance and Bonds	20,000	25,111	25,067	44
Miscellaneous	2,000	2,400	4,923	(2,523)
Total Other	22,000	27,511	29,990	(2,479)
Capital Outlay				
EMS/Fire Land	350	2,150	2,144	6
Total Capital Outlay	350	2,150	2,144	6
Total Expenditures	\$ 278,551	\$ 285,351	\$ 229,485	\$ 55,866





JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

April 12, 2006

Township Board  
Whitefish Township  
7052 North M-123  
P.O. Box 69  
Paradise, Michigan 49768-0069

RE: Report on Internal Control Over Financial Reporting and Compliance and  
Other Matters Based on an Audit of the Financial Statements Performed in  
Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of Whitefish Township, Chippewa County, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated April 12, 2006. As discussed in Note E to the financial statements, management has not recorded capital assets in governmental activities from prior years and has not recorded depreciation expense on those assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Whitefish Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Whitefish Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Comments and Recommendations and responses as items 05-01, 05-02, 05-03, 05-04 and 05-05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that all of the reportable conditions described above are a material weakness.

Compliance and Other Matters--As part of obtaining reasonable assurance about whether Whitefish Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance, which we have reported to management in the Comments and Recommendations section of this report as items 05-05, 05-06, 05-07 and 05-08.

This report is intended solely for the information of management, regulatory authorities, Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### MATERIAL WEAKNESSES

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

A material weakness is an internal control deficiency in which the design or operation of a component(s) of internal control does not reduce to a relatively low level the risk that a material misstatement may be contained in the financial statements.

Our consideration of internal controls would not necessarily disclose all matters in internal controls that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

#### Township--Capital Assets Records (Repeat)

*Finding 05-01*

*Condition:* The township does have a list of land, buildings, and equipment; however, the individual items have not been assigned dollar values. During the 2003/2004 fiscal year, the township did establish by resolution a capitalization policy that specifies a dollar value or capitalization threshold that assets must exceed if they are to be capitalized.

*Criteria:* Accounting principles generally accepted in the United States of America requires that capital assets be included in the financial statements of the governmental activities; and that the capital assets be reported by category and depreciated in accordance with estimated useful lives of the respective assets.

*Recommendation:* We recommend that the township take appropriate action to value and update the inventory of capital assets, including accumulated depreciation, and include control totals in the general ledger. Changes in capital assets must be updated at least annually. There should be procedures in place to assure that all capital assets, within the established dollar value, have inventory tags attached to them and tag numbers be indicated on the inventory list.

*Management's Response:* Currently in the process of obtaining documentation from individual departments to update the capital asset listing.

#### Posting to Current Tax Collection Fund for Delinquent Taxes

*Finding 05-02*

*Condition:* The treasurer is recording the collection and/or payment of delinquent personal property taxes, delinquent summer taxes and prior tax years board of review changes to taxes in the current tax collections ledger.

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### MATERIAL WEAKNESSES (Continued)

*Criteria:* Only the current year's tax levy activity is to be recorded in the Current Tax Collection Fund.

*Recommendation:* We recommend that the treasurer record the activity of other tax years in the funds to whom the tax amounts are owing or being collected for. An alternative would be to record the tax information for other tax years in fund 701, Trust and Agency, for subsequent payment to or reimbursement from the respective funds as shown on the supporting tax documentation.

#### Current Tax Collection Bank Account Reconciliation to Current Tax Ledger      *Finding 05-03*

*Condition:* Activity in the current tax collection bank account did not agree with the amounts recorded in the current tax ledger for the 2005 tax levy by \$24,211.93. The difference was primarily due to the double posting of two large tax collection deposits. An unexplained deposit of \$8,304.44 was made to the tax collection bank account for which we did not receive supporting documentation.

*Criteria:* Bank reconciliations are to be compared to, and reconcile with, the supporting accounting records.

*Recommendation:* The bank reconciliation process should consist of the following:

- 1) Checks cleared by the bank should be verified to checks cleared by the township. For automated bank reconciliation programs, this process would consist of verifying the total of cleared checks per the bank statement (total debits less debit adjustments) to the total of cleared checks per the township system total.
- 2) Deposits recorded on the bank statement should be verified to deposit records per the township. This should include a review to determine that deposits were made on the date that the deposit should have been transmitted to the bank. All deposits in transit and any overages or shortages should be properly accounted for.
- 3) All debit and credit memos reflected on the bank statement should be reviewed and properly accounted for in the township's accounting records and bank reconciliation.
- 4) The ending bank statement balance should be reconciled to the book balance of the township including the identification of all reconciling items (deposits in transit, outstanding checks, overages, shortages, unrecovered NSF checks, bank service charges, checks cleared in error, bank errors, credit memos, debit memos, purchase of new checks and other items on the bank statement that are not on the township records and vice versa). Reconciling items should be brought to the attention of the bank and responsible township staff. The items should be properly disposed of, adjusted and eliminated prior to completion of the following month's bank reconciliation.

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### MATERIAL WEAKNESSES (Continued)

- 5) If an unreconciled difference between the bank statement balance and the township book balance exists, the following guidelines can be used in locating the differences:
- a) Repeat steps 1 through 3 above.
  - b) If the cleared checks total per township records does not agree with the bank total (number 1 above), review the bank statement for checks that may have been cleared by the bank twice or may have been cleared at an amount different than the amount cleared by the township.
  - c) Examine voided checks making sure that checks voided after the bank reconciliation date (usually the bank statement ending date), but are dated prior to the bank reconciliation date, are reflected as outstanding on the outstanding check list.
  - d) Make sure that NSF checks have been properly reflected in the bank reconciliation, including those from the prior month that have not been recovered. Trace all NSF debits and credits shown on the bank statement to both the prior bank reconciliation and the current month's listing of unrecovered NSF checks.
  - e) Go back to the prior month's bank reconciliation, cleared checks report, and outstanding check listing and make sure that all reconciling items and adjustments from the prior month were either cleared or have been properly brought forward to the current month's bank reconciliation.
- 6) Unreconciled differences between the bank statement balance and the township book balance should be resolved on a timely basis. Should an unreconciled difference exist which cannot be found, the unreconciled difference should be properly adjusted through the General Fund's operational budget on a monthly and not less frequently than an annual basis.
- 7) In order to properly monitor the completion of bank reconciliations on a current basis and to be aware of any unreconciled differences, completed bank reconciliations should be periodically reviewed by township management.

#### Current Tax Collection Fund and NSF Checks

*Finding 05-04*

*Condition:* The Current Tax Collection Fund received three NSF checks during the year. One check in the amount of \$655.88 was never collected by the township and/or redeposited to the bank account.

*Criteria:* Collection of NSF checks are to be redeposited to the bank account from which they went NSF. When the NSF remain uncollected, the related revenues are to be removed from the accounting records.

*Recommendation:* The payer should be immediately contacted when the NSF check notice is received from the bank.

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### MATERIAL WEAKNESSES (Continued)

A procedure should be established for handling checks deposited that are returned NSF. This procedure should include maintaining a listing of all NSF checks received and the proper accountability and enforcement for the recovery of the NSF checks. Accounting and property tax records should be adjusted by the amount of the NSF check at the time the NSF check notice is received from the bank.

Any NSF service fees assessed by the bank should be charged to the payer. The township may charge a service handling fee to the payer for an NSF check even though the bank does not. This fee should be recorded as revenue.

No personal checks should be accepted from individuals after two checks have been returned NSF.

NSF checks which have not been collected after 60 days should be referred to the local prosecuting attorney for collection.

#### NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instances of noncompliance with State statutes.

##### Reconciliation of Accounting Records

*Finding 05-05*

*Condition:* The accounting program uses double entry bookkeeping, however, it does not require that both entries are in the same fund. We found that individual funds were out of balance due to single sided entries. Other recording errors are also occurring and not being discovered since there is no reconciliation being performed on the amounts recorded in the general ledger. A comparison of the amounts recorded in the accounting records of the clerk to the records of the treasurer is not being performed by the clerk.

*Criteria:* MCL 41.65 states: "The township clerk shall also open and keep an account with the treasurer of the township, and shall charge the treasurer with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all money paid out by the treasurer on the order of the proper authorities of the township, and shall enter the date and amount of all vouchers in a book kept by the township clerk in the office. The township clerk shall also open and keep a separate account with each fund belonging to the township, and shall credit each fund with the amounts that properly belong to it, and shall charge each fund with warrants drawn on the township treasurer and payable from that fund. The township clerk shall be responsible for the detailed accounting records of the township utilizing the uniform chart of accounts prescribed by the state treasurer. The township clerk shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the township."

## WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### NONCOMPLIANCE WITH STATE STATUTES (Continued)

*Recommendation:* The clerk must keep a complete set of accounting records based on source documentation. The records must be reconciled to the treasurer's records.

*Managements Response:* The clerk and treasurer are trying to set a time to perform the reconciliation.

#### General Appropriation Act

*Finding 05-06*

*Condition:* The budget does not include beginning and ending fund balances for the individual funds.

*Criteria:* Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for General and Special Revenue Funds. Section 15 of the act also provides the following:

The recommended budget for the General Fund and Special Revenue Funds must include for each fund:

- Actual expenditures for the most recently completed fiscal year;
- Estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- An estimate of the expenditures in the next fiscal year;
- Actual revenue for the most recently completed fiscal year;
- Estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- An estimate of the revenue in the next fiscal year;
- Beginning and ending fund balance for each year;
- An estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

The total estimated expenditures in the budget (including an accrued deficit), shall not exceed the total estimated revenues (including an available unappropriated surplus), the proceeds from bonds or other obligations issued under the fiscal stabilization act, or the balance of the principal of these bonds or other obligations.

*Recommendation:* We recommend that a balanced budget be prepared in accordance with Public Act 2 of 1968, as amended, and a copy of the budget be included in the minutes. The budget should include beginning fund balance, revenues, expenditures, ending fund balance, and not create a deficit position for the fund.

*Management's Response:* As soon as we have a complete general ledger, we will use the fund balance for each fund as part of the budgeting procedure.

# WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

## COMMENTS AND RECOMMENDATIONS

### NONCOMPLIANCE WITH STATE STATUTES (Continued)

#### Expenditures in Excess of Appropriations--Township's Budgetary Funds

*Finding 05-07*

*Condition:* Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the "Uniform Budgeting and Accounting Act."

The township's fiscal year ending June 30, 2005 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level and Special Revenue Funds at the fund level. Additional detail is provided for informational purposes only.

As detailed in Note B to the financial statements, actual fiscal year ending June 30, 2005 expenditures exceeded the township board's approved budget allocations for one General Fund activity.

*Criteria:* The expenditures of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Recommendation:* We recommend that the township's chief administrative officer (township supervisor), the board and administrative personnel responsible for administering the activities of the various funds of the township develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each township department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads should also be required to make formal requests to the township supervisor for budget amendments prior to incurring expenditures in excess of board authorized amounts.

*Management's Response:* The budget is reviewed monthly. During May and June, we will ensure that the budget is in-line with the expenditures by adjusting different line-items.

#### Treasurer--Failure to Distribute Taxes in a Timely Manner

*Finding 05-08*

*Condition:* We found that the Tax Collection Fund has undistributed taxes owing to various local governmental units as well as the General Fund. The amounts in the Tax Collection Fund are from the 2001 tax levy.

*Criteria:* MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.



WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

*Recommendation:* We recommend that all taxes be distributed as stipulated by law. The township should research the payments made to local units for the 2001 tax levy from both bank accounts and determine to whom the money in the tax account is owed. There should only be a small imprest amount in the tax account, from the General Fund, to keep the bank account open.

*Management's Response:* We will research the levy and make the distribution to reduce the balance to the proper amount.